

VZCZCXRO5598
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #1214/01 1490731
ZNR UUUUU ZZH
P 290731Z MAY 09
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 3316
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/HQ USPACOM HONOLULU HI
RHHMHBA/COMPACFLT PEARL HARBOR HI
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//
RHMFIUU/USFJ //J5/JO21//
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/CTF 72
RUEHNH/AMCONSUL NAHA 6603
RUEHFK/AMCONSUL FUKUOKA 4268
RUEHOK/AMCONSUL OSAKA KOBE 8069
RUEHNAG/AMCONSUL NAGOYA 1868
RUEHKSO/AMCONSUL SAPPORO 4797
RUEHBJ/AMEMBASSY BEIJING 9531
RUEHUL/AMEMBASSY SEOUL 5552
RUCNDT/USMISSION USUN NEW YORK 5297

UNCLAS SECTION 01 OF 14 TOKYO 001214

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA;
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;
SECDEF FOR JCS-J-5/JAPAN,
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 05/29/09

INDEX:

- (1) Editorial: We welcome new ambassador Roos (Nikkei)
- (2) Appointments for ambassadorship in Japan, China reflect Obama administration's emphasis on economy (Nikkei)
- (3) "World Watch" column: End of era of relying on "Japan experts"? (Sankei)
- (4) U.S. special envoy to visit four countries; Yamasaki, others call for "effective UNSC resolution" (Tokyo Shimbun)
- (5) North Korea's nuclear test connected with Kim's successor issue (Mainichi)
- (6) Behind the scenes of the crisis - North Korea's nuclear test (Part 3): Japan wary of being "left in the dark" (Mainichi)
- (7) Okinawa Prefecture consents to installation of marine life monitors (Okinawa Times)
- (8) Defense Bureau chief: 'Removal of danger' completed (Okinawa Times)
- (9) Draft report on "society of peace of mind" shifts from structural reform policy, also hints at raising consumption tax (Yomiuri)
- (10) Ruling parties considering postponement of establishing rules for constitution examination committee due to DPJ's opposition (Asahi)

(11) Russia seeks aid on 180 projects including infrastructure, plant construction; Presents list of projects to GOJ worth over 2.5 trillion yen (Nikkei)

(12) Argument that Lower House can be dissolved any time is incorrect (Tokyo Shimbun)

(13) Government decides to shelve complete privatization of Development Bank of Japan (Sankei)

(14) TOP HEADLINES

(15) EDITORIALS

(16) Prime Minister's schedule, May 28 (Nikkei)

(17) Political Cartoon (Sankei)

ARTICLES:

(1) Editorial: We welcome new ambassador Roos

NIKKEI (Page 2) (Full)
May 29, 2009

U.S. President Barak Obama has appointed John Roos as the new ambassador to Japan.

Although Harvard University Professor Joseph Nye had been regarded

TOKYO 00001214 002 OF 014

as a promising candidate, (the President) has settled on a lawyer who is little known in Japan. We hope to see (Mr. Roos) play the role of conveying the voices of the inner circle of the U.S government to Japan and directly transmitting Japan's voices to the U.S. side by drawing on his close ties with the President.

Mr. Roos reportedly played a central role in fundraising for the Obama camp. The post has been given as a reward. Such an explanation is not necessarily pleasing. Nevertheless, in view of the fact that this is part of America's political culture, Japan has no other option but to accept the appointment.

Given his lack of experience in foreign affairs, including Japan-U.S. relations, what Mr. Roos can achieve as ambassador is unknown. We are certain that (Mr. Roos) will do his homework thoroughly before assuming the Tokyo post. Even so, the lawyer specializing in corporate legal affairs is expected to encounter many surprises in handling foreign affairs that cannot be settled by legal logic alone.

What we particularly want him to understand is the gravity of the Japan-U.S. alliance. The bond (between the two countries) has a scope and depth that cannot be described in words. We want him to visit sites related to national security and experience them firsthand. Even if there are matters that differ from economic and legal theories, that is the reality of the situation.

If the Japanese political situation were stable and if the prime minister were a strong leader who could swiftly deliver on his diplomatic promises, serving in the post of U.S. ambassador to Japan would be enjoyable. In reality, that is not the case. If he presses (Japan) with Washington's logic, it might have the opposite effect. The job in Tokyo might not be very pleasant.

According to former ambassador Thomas Schieffer, the most important function of the U.S. ambassador to Japan is public diplomacy. That involves striving to reduce points of conflict between Japan and the United States, aiming for agreement by working directly upon not only the Japanese government but also public opinion.

In the past, career diplomats, scholars, heavyweight lawmakers, and others were appointed as ambassadors to Japan. Mr. Roos is a friend of the President, as was Mr. Schieffer. Compared to Mr. Nye, who is an internationally renowned scholar, Mr. Roos is relatively unknown.

The current Japanese ambassador to the United States is also a low-profile career diplomat. The question is what he can accomplish.

We welcome our new friend. We hope he will blow a fresh breeze onto (Japan-U.S. relations).

(2) Appointments for ambassadorship in Japan, China reflect Obama administration's emphasis on economy

NIKKEI (Page 6) (Full)
May 29, 2009

The Obama administration's appointments of ambassadors to Japan and China reflect its stance of placing emphasis on economic issues. Saddled with the ongoing economic crisis and trade disputes, the administration hopes to promote dialogue with Japan and China, which are respectively the world's second and third economic powers.

TOKYO 00001214 003 OF 014

The administration nominated John Roos as the next ambassador to Japan on May 27. Roos is a lawyer with information technology (IT) companies as his clients. He has been involved in mergers and acquisitions of IT businesses, producing satisfactory results. He is also a close confidant of President Barack Obama. This selection is quite different from most past cases, in which influential politicians were picked as ambassadors to Japan.

Meanwhile, the Obama administration has selected Jon Huntsman as ambassador to China. He served as deputy US trade representative (USTR) and then ambassador to Singapore. In the Office of USTR, he addressed the issue of whether China should participate in the World Trade Organization (WTO). Based on these experiences, he is expected to demonstrate his skills in dealing with issues pending between the U.S. and China, including the protection of intellectual property rights.

(3) "World Watch" column: End of era of relying on "Japan experts"?

SANKEI (Page 7) (Full)
May 28, 2009

Kunihiko Miyake, former diplomat, visiting professor at Ritsumeikan University, president of AOI Foreign Policy Institute

A rather shocking contributed op-ed on the Japan-U.S. alliance was published on the May 14 issue (sic - it was the May 15 issue) of the International Herald Tribune (IHT) at a time when the whole of Japan was in panic over the new strain of influenza and the name of the leading candidate for the next U.S. ambassador to Japan had finally emerged. As expected, the op-ed was reported only briefly by some newspapers and was not given much attention in Japan.

The two co-authors (Jim Foster and Robert M. Orr) are both seasoned American experts on Japanese affairs, and I know them both personally. So I read the article several times. In short, after predicting, "There will be further deadlock in Japanese domestic politics, and frustration will rise on both sides regarding the Japan-U.S. alliance... U.S. policymakers may need to scale down their ambitions for the role they wish to assign Japan," the authors argue that the U.S. Marines in Okinawa should be reduced, Japan-U.S.-ROK relations should be strengthened, and the Japan-U.S. alliance should be updated.

One of the authors also made a speech at a prestigious think tank in Washington at about the same time, warning: "With the current domestic political divisions and discord, Japan will probably be unable to play an appropriate role in Asia and the world for the next few years, or even the next decade... The problem is that the situation over the past 15 years, when domestic political processes in Japan were unable to make any decisions nor implement them, will continue."

What was said was nothing new in itself. The three real reasons why I was shocked are as follows:

First, even American experts on Japan are beginning to worry about a lesser role for Japan.

It is wrong to think that the so-called experts on Japan are soft on Japan. But it is true that many of them have supported Japan within

TOKYO 00001214 004 OF 014

the U.S. government. When they complained about Japan, they used to do so in private gatherings with close acquaintances in the form of friendly advice. I was astounded by this case, where two Japan experts voiced strong criticism in public on Japanese politics being "brain dead." Such criticism probably would not have been surprising if it had come from a "Japan basher" during the era of bilateral trade frictions.

Second, the number of people in the United States, particularly Washington, who share concern about Japan's diminishing importance is decreasing rapidly.

The next shocking thing was that such an important article had not been published in a major U.S. paper. Some people may argue that the IHT is a newspaper published by the New York Times (NYT), but the fact is that the article came out only in the online edition of the IHT and the NYT means that it was not read by subscribers in the U.S., and that the editors of the hardcopy NYT did not show much interest in it. The era of relying on pro-Japanese Americans or Japan experts may be coming to an end.

Third, Japanese policymakers do not even see this crisis situation as a problem.

The current "political situation" that is reported prominently in Japan is practically ignored by the world media. How aware are the Japanese politicians of the marginalization of Japan in international politics due to its consistent failure to make political decisions or implement them?

A typical example of this is the internal strife in the Democratic Party of Japan (DPJ) and its foreign and security policy. This party did not even issue a single statement on North Korea's nuclear test and missile launches. If Japan's failure to make important political decisions is causing a rapid decline in its international status, what is the point of the political maneuvering? This is simply beyond my comprehension.

Regardless of the outcome of the next House of Representatives election, I would like to see a "cabinet of national salvation" founded on solid national unity. This will be a real service that politicians can do for the Japanese people.

(4) U.S. special envoy to visit four countries; Yamasaki, others call for "effective UNSC resolution"

TOKYO SHIMBUN ONLINE (Full)
12:57, May 29, 2009

Washington, Kyodo, May 28

It was learned on May 28 that Department of Defense officials and uniformed officers of the U.S. Forces will accompany Deputy Secretary of State James Steinberg on his trip to Japan, China, and other countries starting this weekend to discuss response to North Korea's nuclear test. This was disclosed by a senior U.S. government official to former Liberal Democratic Party vice president Taku Yamasaki and his group, who are currently visiting the U.S.

According to a source related to this matter, the participation of Under Secretary of Defense for Policy Michele Flournoy and James Cartwright, vice chairman of the Joint Chiefs of Staff, and others

TOKYO 00001214 005 OF 014

in this tour is being considered. It is believed that the participation of not only diplomats, but also military officers, is

meant to apply strong pressure on North Korea, which has recently embarked on a nuclear test.

The U.S. delegation will come to Japan first, then go on to the ROK, China, and Russia - all participants in the Six-Party Talks - starting this weekend.

Yamasaki met with Flournoy, Under Secretary of State for Political Affairs Nicholas Burns, and other officials in Washington on May 28 during his visit to the U.S. He argued that this is a situation where a UN Security Council resolution needs to be adopted promptly in order to stop North Korea's nuclear arms development efforts. The U.S. side agreed with him.

According to Yamasaki, U.S. special envoy for the Six-Party Talks Sung Kim is also considering a trip to Japan, China, and other countries separate from Steinberg's trip.

(5) North Korea's nuclear test connected with Kim's successor issue

MAINCHI (Page 7) (Full)
May 29, 2009

Toshihiko Kasahara, London

This newspaper interviewed Mark Fitzpatrick, a senior fellow at the International Institute for Strategic Studies (IISS) of Britain and a former U.S. Department of State deputy assistant secretary for non-proliferation, who is an expert on the situation in North Korea, about the background behind North Korea going ahead with a nuclear test.

The view that North Korea has carried out a nuclear test in order to attract the attention of the U.S. is superficial. That could be the third biggest reason. The major reason is that the Kim Jong Il regime, now faced with the successor issue, was trying to show off its strength because of its weak power structure.

The hard-line argument is dominant in North Korea, with those who call for a flexible policy line toward foreign countries being driven out of the political arena. The North Korean regime's stance of not hesitating to close the Kaesong Industrial Complex despite the nation's economic situation reflects that it is leaning toward military-focused politics.

The nuclear explosion was relatively small in scale - 4 kilotons in terms of trinitrotoluene (TNT). Provided that the yield was as anticipated, one can say that it was fairly small as a weapon. Given the fact that the North has continued to develop nuclear arms for the past 20 years, there is a possibility that it possesses the capability to fit a nuclear warhead on a missile.

Japan should take the nuclear test this time as a warning that it should reconsider what is most important for its security. The abduction issue has dominated Japan's (North Korea) policy. However, the situation involving the nuclear test by that nation is very serious. Japan should understand that the situation holds the potential risk of leading to war.

Japan is urged to display ingenious diplomatic power. In order for

TOKYO 00001214 006 OF 014

it to gain the international community's consensus (through cooperation with China), it is necessary for it to more clearly define its presence in Northeast Asia.

I am pessimistic about the idea that it is possible to make North Korea abandon its nuclear ambitions through talks. The best way to settle that nation's nuclear issue is through a regime change. The nuclear test will probably speed up the end of the present regime.

(6) Behind the scenes of the crisis - North Korea's nuclear test
(Part 3): Japan wary of being "left in the dark"

MAINICHI (Page 1) (Full)
May 29, 2009

Naoyuki Inukai, Hirohiko Sakaguchi

On May 25, the day North Korea conducted its second nuclear test, Prime Minister Taro Aso expressed his genuine surprise to his aides: "They fired a ballistic missile in April. I wouldn't have expected a nuclear test at this time. I don't understand North Korea."

The Ministry of Foreign Affairs (MOFA) had expected a nuclear test after North Korea fired its ballistic missile on April 5. MOFA had thought that this would come in June or July, considering that the DPRK might have been preparing for the test even before the missile launch. Aso reacted in the above manner because Vice Foreign Minister Mitoji Yabunaka had briefed him on this analysis. With regard to the reason why the test took place earlier than expected, a senior MOFA official pointed out: "There are uncertainties about General Secretary Kim Jong Il's health, and they probably needed to raise the level of tension to get favorable results from U.S.-DPRK talks quickly."

There had been predictions in the government that U.S.-DPRK talks would take place in June even before the nuclear test. This is because Japan had been told that U.S. special envoy for North Korea policy Stephen Bosworth was considering visiting the DPRK to negotiate the release of the two detained American reporters.

Bosworth came to Japan on May 11 and met Director General Akitaka Saiki of MOF's Asian and Oceanian Affairs Bureau and other officials to seek Japan's understanding. He said that, "I am prepared to visit North Korea in the near future, but we do not intend to link this question with the overall issues (of nuclear arms, missiles and so forth)." Saiki replied with: "It is fine to have dialogue, but this is meaningless unless you can set down concrete conditions (on the North Korean nuclear issue)," thus conveying his concern about stepping up U.S.-DPRK talks without prior consultations with Japan and the ROK. Japan was wary of repeating the nightmare of being "left in the dark" when the U.S. negotiated directly with the DPRK during the last days of the Bush administration and removed it from the list of state sponsors of terrorism.

Japan's only "fragile link" with North Korea is through the embassy in Beijing, and it has lost the means to talk directly with the DPRK. When Japan protested the recent nuclear test, the North Koreans would not even answer the phone; and Japanese embassy officials could only deliver a protest letter.

There are now misgivings in the government and the ruling parties toward the United States, which is being treated as a direct

TOKYO 00001214 007 OF 014

negotiating partner by the DPRK. There is a view that, "The Obama administration is advocating the abolition of nuclear weapons. It will find itself in a very awkward position if (the DPRK) sets off a nuclear bomb. We hope it will pull itself together" (Liberal Democratic Party Secretary (LDP) General Hiroyuki Hosoda). On the other hand, there is also an opinion that if the Japanese government sets the abduction issue as its top priority, it may have an adverse effect on U.S.-DPRK negotiations. A senior LDP official met a senior government official on May 26. This LDP official said: "If Japan brings up the abductions, it will get in the way of the U.S. and China," urging the Japanese government to exercise restraint and not raise this issue too aggressively.

(Last of three-part series)

(7) Okinawa Prefecture consents to installation of marine life monitors

OKINAWA TIMES (Page 2) (Full)
May 29, 2009

The Okinawa Defense Bureau, an outlet of the Defense Ministry, plans to conduct a fact-finding survey of marine life in connection with constructing an alternative facility for the U.S. Marine Corps' Futenma Air Station. The bureau needs to consult with the Okinawa prefectural government to install equipment for that survey.

Accordingly, the Okinawa prefectural government yesterday informed the bureau of its consent to enter into consultations with the bureau for its use of public waters. The prefectural government asked the bureau to thoroughly oversee the planned sea life monitoring survey with consideration given to the environment, such as dugongs and their seaweed beds, corals, and birds.

The monitoring survey is to cover waters ranging from Nago City's Kayo district to the city's Kushi district and will use a total area of about 2,800 square meters. The survey will be conducted until March 31, 2010. The bureau will set up passive sonar systems and use 79 other kinds of equipment for underwater videotaping to record coral egg-laying and dugongs eating seaweed as well as their voices.

(8) Defense Bureau chief: 'Removal of danger' completed

OKINAWA TIMES (Page 2) (Full)
May 29, 2009

In August 2007, the Japanese and U.S. governments concurred on measures to remove the danger of the U.S. Marine Corps' Futenma Air Station. In this regard, the Defense Ministry's Okinawa Defense Bureau Director General Ro Manabe announced yesterday that all those measures were implemented by May 21. Aircraft warning lights were all installed near the runway's northern end, Manabe told reporters, adding that the airfield started to use the lights on May 22.

"Concerning further steps to remove danger," Manabe said, "I think it's important to meet the local expectations." He also said, "We'd like to continue to discuss what we can do through a working team."

In order to study additional measures, the Defense Ministry will conduct a fact-finding survey of flight paths from this fiscal year. Concerning this fact-finding survey, Manabe went no further than to explain that: "We're now going through procedures to place orders

TOKYO 00001214 008 OF 014

for equipment." The Defense Ministry has yet to decide on when to start the survey.

The government plans to build an alternative facility for Futenma airfield in a coastal area of Camp Schwab in Nago City. Along with this plan, the Defense Ministry is looking into the present state of the construction site. In this regard, Manabe said: "The assessment law requires an ex post facto survey as well as an environment monitoring survey. In order to carry out these surveys in an effective way, we are now collecting data on our own. At this point, we don't think we'll have to reflect them in the assessment paper."

On May 15, the Okinawa Defense Bureau closed its acceptance of public comments from local residents on its preliminary report of environmental assessment for Futenma relocation. The bureau is to send in an outline of these public comments to the Okinawa prefectural government. In connection with this, Manabe indicated that the bureau would do so in around mid-June if possible.

(9) Draft report on "society of peace of mind" shifts from structural reform policy, also hints at raising consumption tax

YOMIURI (Page 4) (Full)
May 29, 2009

The draft report compiled by the Council on the Realization of a Society of Peace of Mind on May 28 is characterized by its shift from the structural reform policy line under former Prime Minister Junichiro Koizumi, and its goal to achieve a new "Japanese-style market economy" with "peace of mind" as the keyword. Prime Minister Taro Aso intends to include the substance of this report in the manifesto of the Liberal Democratic Party for the next House of Representatives election.

At the meeting on May 28, Hisashi Hieda, chairman of Fuji Television and chair of the Council, stressed that, "A social system based only on efficiency and market principles will inevitably produce the extremely rich and the extremely poor. There can be no peace of mind

in society without safety nets in place."

The "structural reforms without sanctuary" promoted by Koizumi avoided tax hikes and attempted to realize fiscal restructuring by cutting expenditures. The draft report acknowledges this point: "With the expanding competition in the global market, strong advocacy of radical reform of the systemic structures was quite natural." However, it states that, "Reforms should not undermine peace of mind, which forms the basis of vitality."

It says that in order to build a "society of peace of mind, "the inevitable cost should be debated openly with the policy-related spending and revenue sources being clearly laid out," hinting at the need to increase the consumption tax rate.

At the May 28 meeting, Council member Toshiro Muto (director of Daiwa Institute of Research Holdings) presented an estimate of government funding and consumption tax revenues, and called for tax reforms at an early date. He said: "If the increase of the consumption tax rate is moved forward, (a tax rate of) 15-16 PERCENT will be sufficient, but if we procrastinate, it may need to be 20 PERCENT under certain circumstances."

Minister of Economic and Fiscal Policy and Financial Services Kaoru

TOKYO 00001214 009 OF 014

Yosano, who presided over the discussions, is known to favor a consumption tax hike. He has so far advocated tax increases not only for fiscal restructuring, but also for social welfare expenditures for the aged, such as pension and nursing care. The draft report points out that, "Government expenditures relating to children and families are 0.8 PERCENT of GDP, which is behind the average of 2 PERCENT among OECD (Organization for Economic Cooperation and Development) members," indicating that consumption tax will also be used for investment in the younger generation.

However, the report avoids using the word "consumption tax," and concrete plans for securing revenue sources are deferred to future discussions by the government and the ruling parties.

(10) Ruling parties considering postponement of establishing rules for constitution examination committee due to DPJ's opposition

ASAHI (Page 4) (Abridged slightly)
May 29, 2009

Masahiro Tsuruoka

It has become difficult to establish during the ongoing Diet session a set of "rules" specifying, among other things, the number of directors of the House of Representatives Examination Committee on the Constitution. Given the unyielding stance of the major opposition Democratic Party of Japan (DPJ), the ruling bloc has concluded that it would be inadvisable to forcibly establish a set of rules ahead of the next general election.

Before the Lower House Steering Committee, Yukio Edano, a former chair of the DPJ Research Commission on the Constitution, criticized yesterday a forced vote in 2007 on national referendum by the then Abe administration. He made clear the stance of not responding to the ruling bloc's call for setting up rules unless Abe and other persons responsible for destroying the relationship of trust offer apologies. Diet Affairs Committee Chairman Kenji Yamaoka, too, slammed the ruling parties during a DPJ Lower House lawmakers' meeting, saying, "The attitude to use (the Constitution) for the sake of the election and the political situation is not permissible."

Based on the former Abe administration's crushing defeat in the previous House of Councillors election, the Liberal Democratic Party (LDP) is cautious about making a constitutional matter a point at issue for the next general election. LDP Steering Committee principal director Hachiro Okonogi implied that his party has no intention of establishing rules in defiance of the DPJ's opposition. Some in the LDP are still hopeful that DPJ President Yukio Hatoyama, an advocate of constitutional amendment, will make concessions. But

Hatoyama underscored the need to select the right timing in order to give the envisaged rules "soul." Chances are slim that the DPJ will give the nod to the ruling bloc's plan to establish such rules.

(11) Russia seeks aid on 180 projects including infrastructure, plant construction; Presents list of projects to GOJ worth over 2.5 trillion yen

NIKKEI (Page 1) (Full)
May 29, 2009

Details of the economic aid projects that Russia presented to Japan

TOKYO 00001214 010 OF 014

during Premier Vladimir Putin's visit in mid-May were revealed on May 28. There are a total of some 180 projects, mostly related to infrastructure and the construction of plants, worth over 2.5 trillion yen. The two countries are expected to consider setting up a government level committee on trade and economic affairs, which will strengthen "mutually beneficial cooperation" and contribute to creating the environment for signing a peace treaty, which remains a pending issue.

The list of projects obtained by Nihon Keizai Shimbun is titled "Proposals of Local Governments of the Russian Federation for the Implementation of Investment Projects Open to Japanese Companies." This is a compilation of the proposals from the various Russian republics, oblasts, and other administrative units, listing specific projects and required funding. It was handed over to the Japanese government through diplomatic channels before the Japan-Russia summit on May 12.

In addition to industrial parks and recreational facilities, there are also projects to build lumber and food processing plants, fish culture farms, and facilities for resource development. The Russian economy has been hard hit by the world financial crisis, and the list clearly indicates its desire to woo capital and technology from Japanese companies for the construction of regional infrastructure and the modernization of production equipment.

On the other hand, big national projects, such as the joint development of oil and natural gas, are not included. Proposals for expanding the scope of cooperation, such as using nanotechnology for material development and the production of ceramic construction materials, are also prominent.

Trade volume between Japan and Russia reached \$30 billion in 2008, tripling in three years. Membership in groups of Japanese companies doing business in Russia has also increased rapidly to 184, almost three times the number in 2003. These companies have tended to concentrate in big cities on the European side, such as Saint Petersburg. The list has more projects in the Far East, which is close to Japan and suffering from harsh economic conditions, and the Volga area in the south. This shows Russia's desire to diversify in terms of the location of the projects.

Japanese companies are likely to show interest in the building of roads in the Far East where infrastructure is underdeveloped, the building of power plants, the production of new construction materials where their technology can be utilized and where there are potentials for growth in demand, and other projects. However, there is also an opinion that, "This is a widely varied list, and there needs to be a rigorous selection process to pick the promising projects." There is some uncertainty about how feasible these projects are.

The government will brief selected private companies on the list on May 29, and the projects will be discussed at the subcommittee on regional exchanges of the bilateral governmental committee on trade and economic affairs expected to convene in the next six months. The government-affiliated Japan Bank for International Cooperation (JBIC) is also poised to discuss financial assistance with the Japanese companies.

(12) Argument that Lower House can be dissolved any time is incorrect

TOKYO SHIMBUN (Page 2) (Full)
May 29, 2009

Many people say that the prime minister can dissolve the House of Representatives any time as he likes. But this argument is not correct.

In the Constitutions, Article 7 and Article 67 refer to dissolution of the Lower House. Article 7 states that dissolution of the Lower House shall be performed by the Emperor as an act of matters of state on behalf of the people, with the advice and approval of the cabinet. Article 69 stipulates that if the Lower House passes a non-confidence resolution against the cabinet, or rejects a confidence resolution, the cabinet shall resign en masse.

There are conflicting views on how to interpret these provisions. Some say that because only Article 69 gives specific conditions for Diet dissolution, the Lower House can be dissolved only when a non-confidence resolution against the cabinet is adopted. Others interpret, focusing on the part "with the advice and approval of the cabinet" in Article 7, that the Diet can be dissolved any time, based on an advice by the cabinet.

The cabinet now interprets that the Lower House can be dissolved any time, based on the argument focusing on Article 7. But just after the Constitution was established, the GHQ took the argument based on Article 69. In 1948, then prime minister Shigeru Yoshida planned to dissolve the Lower House, but Yoshida advised ruling party members to vote for a non-confidence resolution against the cabinet submitted by opposition parties and dissolved the Lower House in line with the argument based on Article 69.

Given these circumstances, it seems improper to say that the Diet can be dissolved any time. Some Liberal Democratic Party (LDP) members also insist that certain conditions should be attached to the right to call a general election. The new constitution plan - unofficially produced by the LDP's Constitutional Research Commission - requires a concrete reason for Diet dissolution.

Reading the articles, we find that it is not the prime minister but the cabinet that decides to dissolve the Lower House. Strictly speaking, it therefore is not correct to say that the prime minister has the right to dissolve the Lower House. In 2005, then prime minister Junichiro Koizumi decided to dissolve the Lower House, but cabinet ministers opposed the plan. Koizumi dismissed the rebellious members and then dissolved the Lower House. This procedure was necessary, because it was not the prime minister but the cabinet that dissolved the Lower House.

(13) Government decides to shelve complete privatization of Development Bank of Japan

SANKEI (Top Play) (Full)
May 29, 2009

The government and the ruling parties on May 28 decided to shelve the complete privatization of the Development Bank of Japan (DBJ). This decision had been reached in general at a meeting between the ruling and opposition camps held earlier on the same day. The government will continue to possess more than one-third of the bank's stocks so that it can exert its influence. Consideration has

been given to the fact that demand is building for emergency loans from government-affiliated financial institutions, as the credit crunch becomes serious with private-sector financial institutions losing financial stability. However, the structural reforms to move services from government to the private sector as advocated by the Koizumi administration have now been derailed. Criticism that the DBJ is weighing on private businesses is still lingering.

The plan to fully privatize the DBJ has been scrapped due to the agreement reached in general at a meeting of ruling and opposition party members of the Lower House Financial Affairs Committee that a revision plan presented by the opposition camp be reflected in an amendment to the DBJ Law.

The DBJ was made a joint-stock company wholly owned by the government, based on the premise that it is to be fully liberalized in the future. The original plan had envisaged the company being fully liberalized 5-7 years after it became a joint-stock company with the government gradually selling the stocks it holds.

However, following the economic slump stemming from the financial crisis, the government has started operations that cannot be carried out by private financial institutions, including emergency low-interest financing to companies. Accordingly, the DBJ's role has once again come into focus.

The related bill that has been submitted to the Lower House enables the government to extend additional financing to the DBJ to make it easier for it to extend additional emergency financing. It also sets a time frame for full-scale privatization between April 2017 and April 2019, by extending the time frame to three years and six months from the original plan.

However, the DPJ insisted that the planned privatization be completely scrapped in order to deal with the serious economic slump. The ruling parties accepted the DPJ's policy. It has thus been decided that the government will continue to hold more than one-third of the DBJ's stocks so that the bank can continue to play a public role.

However, some ruling party members are negative toward this decision with a former economic minister noting, "The policy switch does not rule out complete privatization after the crisis is over." The DBJ could be criticized as weighing on private financial institutions, once the economy turns around. Such an issue was discussed at the meeting on the 28th. However, no decision was reached on this issue. Chances are that the revision plan may be annulled, depending on the steering of the Diet in the future.

(14) TOP HEADLINES

Asahi:

Government-arranged reduction in rice cultivation to cost double in 10 years

Mainichi:

Pre-privatized Japan Post suspected of failing to pay out insurance money to 220,000 policy holders

Yomiuri:

Government to enhance measures to prevent leakage of technological information into that can be used for military purpose

TOKYO 00001214 013 OF 014

Nikkei:

Financial Services Agency to abolish legal classifications dividing "shinkin" banks and credit associations

Sankei:

Government decides to shelve overall privatization of Development Bank of Japan

Tokyo Shimbun:

Prime minister gives up on splitting up welfare and labor ministry due to opposition from government, ruling parties

(15) EDITORIALS

Asahi:

(1) Lawsuit filed by A-bomb victims: Government should speed up effort to relieve all victims

(2) Split-up of welfare and labor ministry: Administration again goes astray

Mainichi:

- (1) Relieving A-bomb victims: Political decision urged
- (2) Extra budget to secure Diet approval: Establish sustainable tax system

Yomiuri:

- (1) Economic Revitalization Round Table: Invest in education to fill income disparities
- (2) Lawsuit filed by A-bomb victims: It is necessary to revise recognition guidelines

Nikkei:

- (1) Come up with new effective fiscal reconstruction goal
- (2) We welcome new U.S. Ambassador to Japan John Roos

Sankei:

- (1) P3C dispatch: Contain piracy through information-sharing
- (2) Lawsuit in pursuit of recognition as A-bomb victims: Reach settlement to relieve patients

Tokyo Shimbun:

- (1) Recognition of A-bomb victims: Speed up efforts to revise recognition guidelines and relieve victims
- (2) Fall in land prices: Good opportunity to enhance trustworthiness of real estate industry

(16) Prime Minister's schedule, May 28

NIKKEI (Page 2) (Full)

May 29, 2009

07:16 Met deputy chief cabinet secretaries Matsumoto and Asano.

09:00 Attended an Upper House Budget Committee meeting.

11:58 Met Upper House Budget Committee chief director Iwanaga.

12:45 Met Cabinet Intelligence Director Mitani.

14:00 Attended a meeting of the Upper House's special committee on consumer problems.

16:12 Met Finance Minister Yosano at the Kantei. Followed by Vice Foreign Minister Yabunaka.

17:03 Internal Affairs & Communications Minister Hatoyama and Administrative Management Bureau Director General Hashiguchi. Later

TOKYO 00001214 014 OF 014

met Okinawa Governor Nakaima and others, with Chief Cabinet Secretary Kawamura present.

18:15 Attended a meeting of the committee on building safety society.

19:31 Met Secretary General Hosoda, Policy Research Council Chairman Hori, and Kawamura.

20:27 Arrived at his official residence.

21:50 Called British Prime Minister Brown.

ZUMWALT